REMARKS

The Examiner is hereby advised that the Attorneys of Record have changed. A Revocation and Power of Attorney is being concurrently submitted. The Examiner is kindly asked to direct any questions to the undersigned at the phone number given below.

In the office action mailed May 7, 2003, claims 1, 4-7, 10 and 15-24 were rejected under 35 USC 103. Claims 8, 9 and 11-14 were deemed allowable, if amended to be written in independent form to include the limitations of their respective based claims and any intervening claims.[1]

The rejection of claims 1, 4-7, 10 and 15-24 is traversed for the reasons stated below.

Rejection under 35 USC 103

In the Office Action mailed May 7, 2003, on page 3 of the office action, the Examiner relied upon the Lau article[2] as the primary reference, combining it with USP 5,978,778 to O'Shaughnessy to reject all the claims, either by themselves, or in conjunction with additional references. In formulating the rejection of the claims, the Examiner argued, in pertinent part, that:

> In claims 1, 6 and 16, Lau discloses a method for facilitating an exchange[3] in ownership and a first financial instrument and/or plurality of instruments (stock or stocks) representing ownership interest in a first portfolio (stocks traded only on the NASDAQ), the first portfolio comprising units of an integer number of M

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[1] Form PTO-326 indicated that claims 8, 9, and 11-14 were subject to restriction and/or election requirement (line 8 of Form PTO-326). It is believed that the Examiner meant to indicate that these claims were objected to (line 7 of Form PTO-326), in view of paragraph 7 ("Allowable Subject Matter") of the office action (appearing on page 6).

[2] "Trading of Nasdaq Stocks On the Chicago Exchange", The Journal of Financial Research, Vol. XIX, No. 4, Pages 579-584, Winter 1996).

[3] Applicants disagree with the Examiner's assertion that Lau has anything to do with "facilitating an exchange". All Lau seems to have done was create two non-overlapping portfolios to test the hypothesis that stocks traded only on the NASDAQ would have higher spreads (and thus, presumably cost an investor more) than stocks that traded on both the NASDAQ and the CSE (where, presumably, the additional marketplace would result in more choices for the investor). Nothing in Lau suggests forming a financial instrument representing an ownership interest in either portfolio.

> (NASDAQ stock or stocks) different securities selected from a second portfolio (see Lau Abstract, NASDAQ Stocks traded on the Chicago Stock Exchange ("CSE")), the second portfolio comprising units of a integer number N (CSE/NASDAQ stocks) different securities, N > M, with the M different securities being a subset of N different securities (See Lau Abstract and Introduction).

It is respectfully submitted that the Examiner has misinterpreted the Lau reference. Lau states on page 580, last two paragraphs:

> "The initial sample comprises 1,580 stocks that trade on the NASDAQ. Of these, 100 also trade on the CSE.....The linear programming model is used to form two portfolios, one a subset[4] of the 100 firms that trade on both the CSE and NASDAQ and the other a subset[5] of the 1480[6] firms that trade only on the NASDAQ."

And since one portfolio comes from stocks that are in both the NASDAQ and the CSE, whereas the second portfolio comes from stocks only in the NASDAQ, the two portfolios are *disjoint* and so the first portfolio cannot comprise "units of an integer number of M (NASDAQ stock or stocks) different securities selected from a second portfolio", as the Examiner has asserted.

With regard to, e.g., the language in claim 1 reciting "wherein the weight of each security in the first portfolio is substantially similar to that security's corresponding weight in the second portfolio divided by the combined weight of the first portfolio in the second portfolio", the Examiner conceded that Lau did not teach this feature and observed that "O'Shaughnessy discloses a method by which stocks are equally weighted within their respective portfolios." The Examiner went on to argue:

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[4] As see in Table 1 on p. 582 of the article, this subset ultimately contains only 60 of the 100 firms that trade on both the NASDAQ and the CSE.

[5] As seen in Table 1 on p. 582 of the article, this subset contains only 57 of the 1480 firms that trade only on the NASDAQ.

[6] 1480 (total in NASDAQ only) = 1580 (total in NASDAQ) – 100 (those in both NASDAQ and CSE)

> "Since Lau ranks each of the securities within the respective portfolios and also calculates a mean of them (see Lau, pages 581 and 582), it would have been obvious for an artisan at the time of the invention of Lau to integrate a weighting factor, as disclosed by O'Shaughnessy, into one of the calculations provided by Lau because an artisan at the time of the invention would have recognized that providing a distinction (by weight) between the securities as either an art recognized equivalent to the ranking of securities provided by Lau or as constituting an alternative means of providing distinctions between securities that would be well within the ordinary skill in the art."[7]

It is first submitted that Lau teaches away from any kind of "weighting factor" -- Lau's only use for the 'PRICE' variable is to ensure that the average stock price (the 'mean') in the two portfolios is about the same, as part of ensuring that the two portfolios are comparable[8]. It is further submitted that even one were to somehow modify Lau to utilize the 'equal weighting' teaching of O'Shaughnessy, one still would not arrive at the present invention. This is because Lau's two portfolios are disjoint, and so it is meaningless to say that the weights of each of the securities in the first portfolio have anything to do with their corresponding weights in the second portfolio.

In view of the foregoing, it is submitted that no combination of Lau and O'Shaughnessy, even if combined with any of the other references relied upon by the Examiner in the May 7, 2003 office action, render any of the pending claims obvious.

Reconsideration of the application is requested. Claims 1 and 4-24 are believed to be in allowable form and define over the prior art of record. An early notice of allowance is requested so that the application may proceed to issue.

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[7] May 7, 2003 office action, pages 3-4.

[8] As explained on p. 581 of Lau, PRICE is but one of 7 attributes that are considered in creating the two portfolios.

No fee is believed to be due for this submission. Should a fee be required, the Commissioner is authorized to charge any such fee to Womble Carlyle's Deposit Account No. 09-0528.

Respectfully Submitted,

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